

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Fiscal Year 2006 Proposed Budget

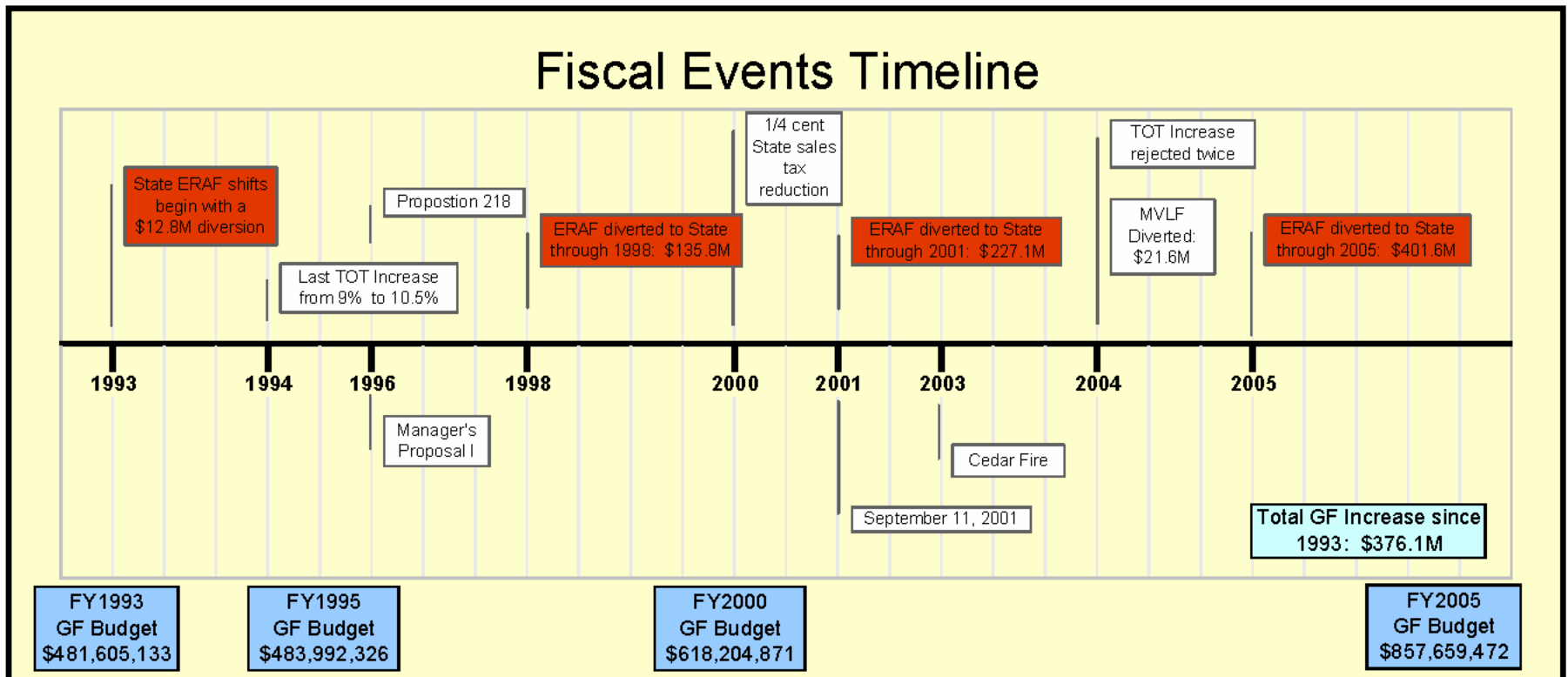
Honorable Mayor
and City Council

May 2, 2005



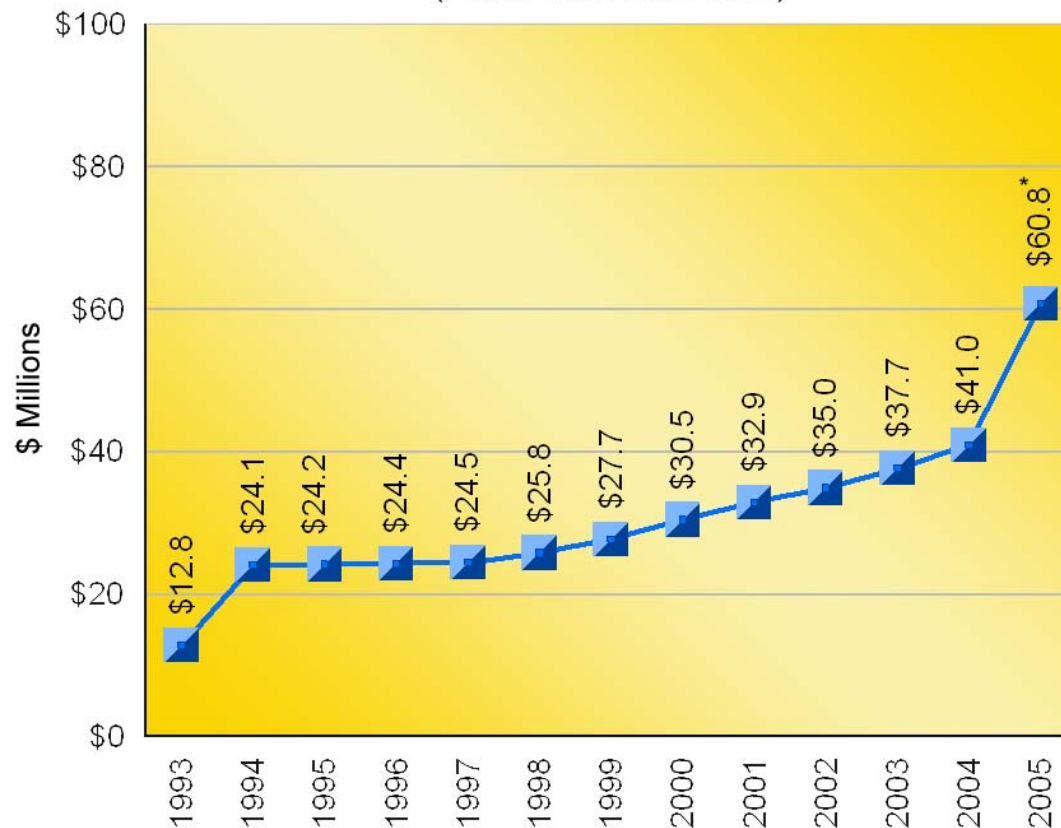
CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Fiscal Events Timeline



CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

CITY OF SAN DIEGO DISCRETIONARY REVENUES
Division of Revenue to the State
(Fiscal Years 1993-2005)

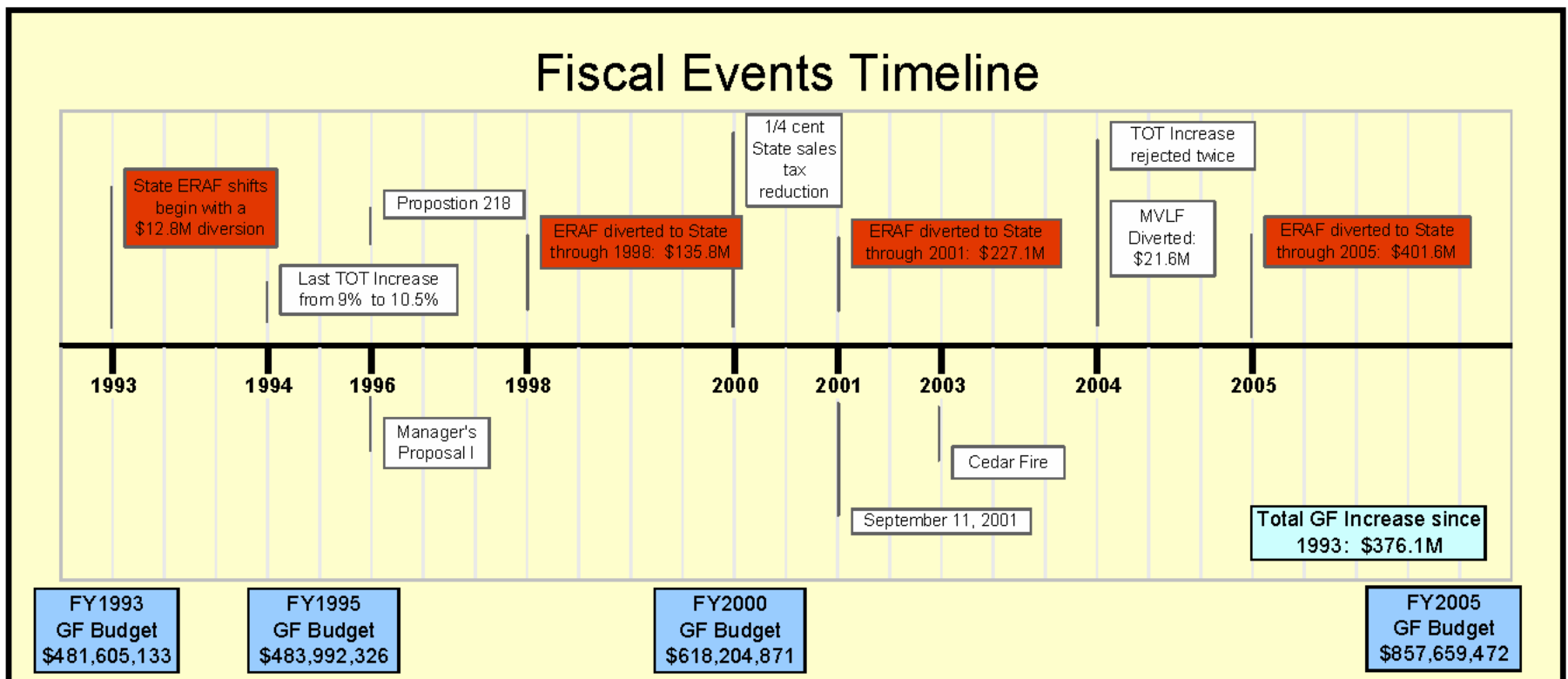


Source: County of San Diego & City of San Diego, Financial Management Department

* Estimated. Includes a \$16.9 million reduction as part of the two-year ERAF shift negotiated between the State and a coalition of local governments (ERAF III).

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Fiscal Events Timeline



CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

- The process to eliminate the structural deficiencies has begun
- Setting the foundation for the future

CITY OF SAN DIEGO
FISCAL YEAR 2006 PROPOSED BUDGET

**Fiscal Year 2006
Proposed Budget**

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Budget Priorities

- The Fiscal Year 2006 Proposed Budget is \$2.37 billion, a reduction of \$116 million over the Fiscal Year 2005 Budget.
- The Fiscal Year 2006 General Fund Budget is \$857.7 million, an increase of \$40.2 million over the Fiscal Year 2005 General Fund Budget.

CITY OF SAN DIEGO
FISCAL YEAR 2006 PROPOSED BUDGET

Budget Priorities

- Public Safety
- Core Services
- Contractual Obligations
- Pension Funding - Retiree Healthcare Contribution

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Overview

- Provides a fresh start in addressing the City's financial issues
- Initiates incremental steps to solve the City's fiscal challenges.
- Focuses on core competencies
- Includes approximately \$25 million in General Fund reductions. Includes a reduction of 228.90 (207.73 net) positions.
- Citywide reduction of 355.33 positions
- Maintains unallocated reserve at 4%

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Overview

- Funds Fire Station #47 - Pacific Highlands Ranch
- Develops an in-house Fire Helicopter Program
- Does not fund 100% of Public Safety needs as identified in reports to Public Safety & Neighborhood Services Committee
- Funds \$1.75 million additional Police overtime

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Overview

- Does not fund new facility requests for Park & Recreation and Library Departments
- Does not fund new facility annualizations for Park & Recreation
- Eliminates 11 Community Service Centers
- Eliminates “6 to 6” Program for 35 City-funded schools
 - City will negotiate with school district to assume management of grants
- Assumes waivers of
 - Library Ordinance
 - Environmental Growth Fund Ordinance
- Requests waiver of the Mission Bay Ordinance

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Overview

- Assumes \$3.2 million in new fees
- Eliminates Right-of-Way fee
- Includes 10% reduction in TOT allocations to community groups
- Includes \$22 million State impact for General Fund
- Includes \$1.6 million for Disclosure Ordinance
- Equalizes City Council budgets to \$850,000 per district

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

General Fund – Recent Updates

- Possible loss of Booking Fee revenue; additional Mayor election expense
- \$15 million of budget adjustments will be included in the Final Budget
- Adjustments include:
 - Reduction of 50 additional General Fund positions
 - Park & Recreation, Planning, and Neighborhood Code Compliance
 - Transfer of the City Redevelopment Agency

CITY OF SAN DIEGO
FISCAL YEAR 2006 PROPOSED BUDGET

Expenditure Changes

Major Expenditure Category	Proposed FY 2006	Change From FY 2005
General Fund	\$857,659,472	\$40,226,483
Enterprise Funds	\$832,912,707	\$62,004,358
Capital Improvement	\$356,948,953	(\$226,343,398)
Special Revenue Funds	\$309,788,380	\$10,557,421
Debt Service and Tax	\$10,637,010	(\$2,499,962)
Total	\$2,367,946,522	(\$116,055,098)

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Total City Position Changes

	Annual FY 2005	Proposed FY 2006	Change
General Fund	6,955.31	6,747.58	(207.73)
Special Revenue Funds	619.35	593.35	(26.00)
Sewer	1,045.36	1,040.74	(4.62)
Water	857.87	865.83	7.96
Other Enterprise Funds	999.40	961.25	(38.15)
Internal Service Funds	544.10	532.41	(11.69)
Other Funds	74.75	74.75	-
Total Budgeted Positions	11,096.14	10,815.91	(280.23)
Additional Position Reductions	-	(50.00)	(50.00)
Reorganization of City Redevelopment Agency	-	(25.10)	(25.10)
Total Position Adjustment		10,740.81	(355.33)

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Additional 50 Positions Reduced

Reduce Street Sweeping Residential: Once per month to once every other month Commercial: Twice per month to once per month No change for downtown or beaches	\$1,000,000	7.00 FTE
Reduce Miscellaneous Planning	\$635,000	7.00 FTE
Reduce Middle Managers in Park & Recreation	\$633,000	8.00 FTE
Reduce Shoreline Parks Support	\$240,000	4.00 FTE
Reduce Unclassified Managers	\$2,700,000*	20.00 FTE
Administrative Positions	\$352,000	4.00 FTE

*** \$1.6 million associated with 10 of these positions is already included in the Proposed Budget.**

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

General Fund Expenditure Growth

	(in millions)
Public Safety	\$39.40
Non-Public Safety	\$24.40
Public Liability	\$1.00
Disclosure Ordinance Additions	\$1.60
Non-Discretionary Accounts	\$2.80
Other Department Transfers/Reductions	(\$4.00)
Department Funding Reductions	(\$25.00)
Net Expenditure Growth	\$40.20

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

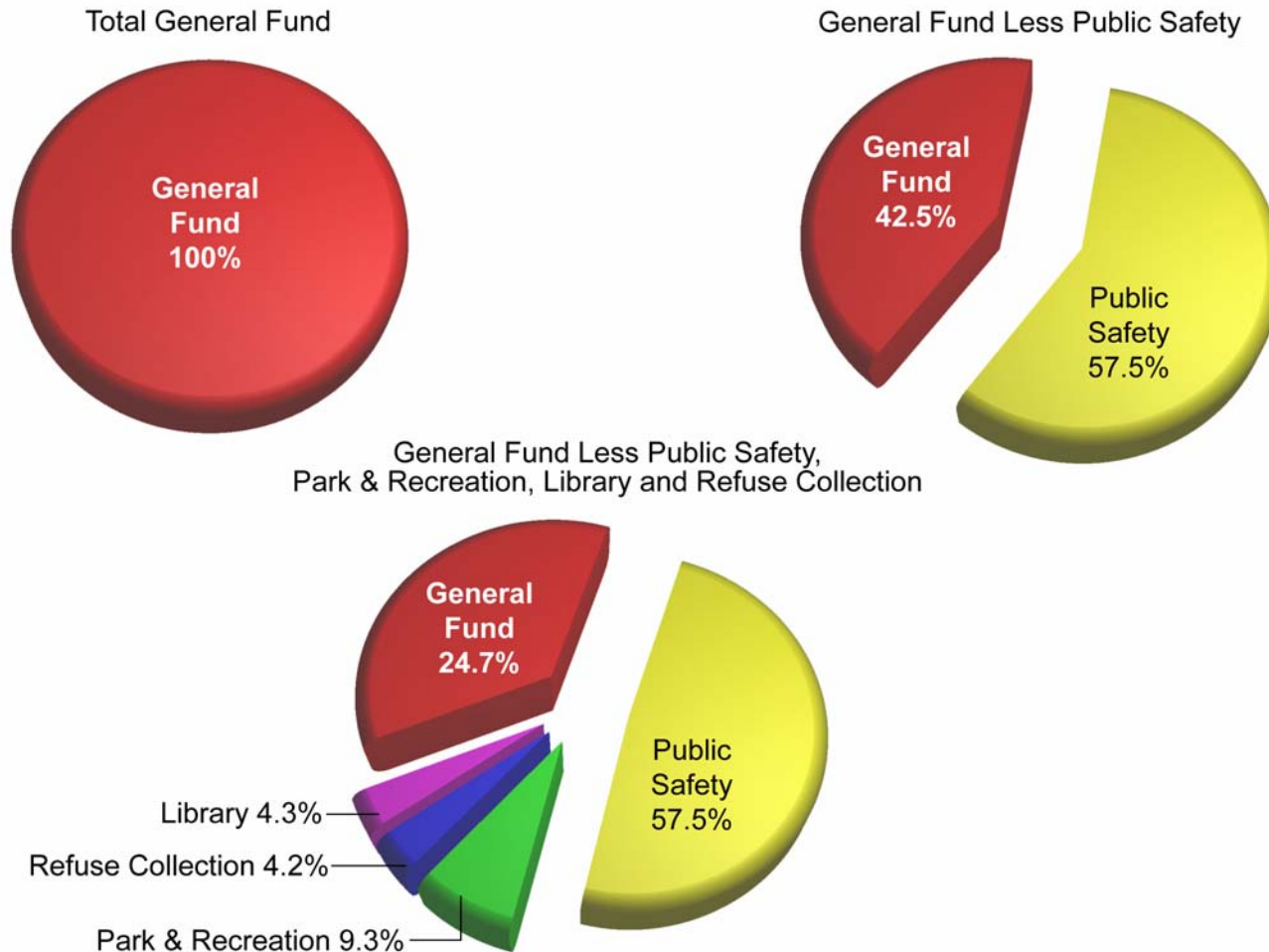
Service Level Reductions

\$25 million in General Fund

- Library
- Park and Recreation
- Neighborhood Code Compliance
- Community and Economic Development
- General Services
- Engineering & Capital Projects
- Environmental Services
- Special Promotional Programs
- Citywide Management

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

General Fund Budget Reduction Options



CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Service Level Reductions Library

Proposed General Fund Budget: \$36,602,569 395.55 FTE

- **Reduction of \$2.9 million and 21.10 positions**
 - **Reduction in branch library operating hours to 40 for most or 44 hours weekly for Sunday service branches**
 - **READ/San Diego literacy services offered to only City of San Diego residents due to County elimination of funding**
 - **Reduction of \$500,000 from library materials budget**
 - **Delay purchases and replacements of computers and software**
 - **Reduction in administrative support by 2.00 positions**

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Service Level Reductions Park & Recreation

Proposed General Fund Budget: \$79,776,986 815.46 FTE

- **Reduction of \$3.5 million and 64.55 positions**
 - **Recreation center operating hours reduced from 48 to 40 hours per week**
 - **24 facilities (18 new, 6 annualized) scheduled to open without funding for staff or support. Department will need to reallocate resources.**
 - **Closure of 12 pools for 3.5 winter months during the year**
 - **Ned Baumer Miramar College Aquatic Center will continue to operate year-round**

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Service Level Reductions Neighborhood Code Compliance

Proposed General Fund Budget: \$5,319,113 57.12 FTE

- **Reduction of \$563,104 and 5.00 positions**
 - **Reduction in Urban Corps graffiti removal on private property**
 - **Decrease the number of minor violations resolved each year by approximately 300 cases, adding to the current backlog**

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Service Level Reductions Community and Economic Development

Proposed General Fund Budget: \$5,769,425 41.82 FTE

- **Reduction of \$3.8 million and 15.00 positions**
 - **Closure of 11 Community Service Centers**
 - **Eliminate “6 to 6” Program funding for 35 City-funded schools**
 - **City will enter negotiations with school district to assume management of grants**
 - **Eliminate Homeless Services Coordinator**

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Service Level Reductions General Services

Proposed General Fund Budget: \$22,774,960 220.53 FTE

- **Reduction of \$1.0 million and 14.00 positions**
 - **Increase response times for City facilities work**
 - **Delay responses to parking citation inquiries**

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Service Level Reductions Engineering & Capital Projects

Proposed General Fund Budget: \$31,546,265 253.18 FTE

- **Reduction of \$1.8 million and 19.50 positions**
 - **Delayed construction schedules**
 - **Elimination of bicycle facilities services and reduced project implementation**

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Service Level Reductions Environmental Services

Proposed General Fund Budget: \$36,346,284 132.57 FTE

- **Reduction of \$1.0 million and 11.50 positions**
 - **Minimal impact to refuse collection due to the re-routing project**
 - **Increased response times for container repair and replacement**

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Service Level Reductions Special Promotional Programs

Allocations to community groups will be impacted with an approximate 10% reduction in the following categories:

- Arts, Culture, and Community Festivals**
- Economic Development**

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Public Safety

- Top priority for Fiscal Year 2006
- Growth has outpaced the General Fund
- Represents 86.7% of the 4.92% proposed General Fund increase

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Public Safety Growth

	FY2004	FY2005	FY2006
General Fund Growth	1.88%	10.02%	4.92%
Police Growth	4.25%	13.46%	8.52%
San Diego Fire-Rescue Growth	11.46%	20.66%	5.74%
Total Public Safety	4.11%	15.72%	7.61%
General Fund without Public Safety	-0.56%	3.51%	1.49%

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Police Department Adjustments

FY 2005 Budget	FY 2006 Proposed	Change from FY 2005
\$308,776,673	\$335,076,416	\$26,299,743

Police Department Changes for FY 2006 Proposed Budget

- Addition of Police Overtime \$1,750,000
- Continue to fund 4 Police Academies

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Fire-Rescue Department Adjustments

FY 2005 Budget	FY 2006 Proposed	Change from FY 2005
\$149,549,130	\$158,135,342	\$8,586,212

Fire-Rescue Department Changes for FY 2006 Proposed Budget

- \$623,824 for New Fire Station #47 (4.32 positions)
- 10.00 FTE for Fire Helicopter Program

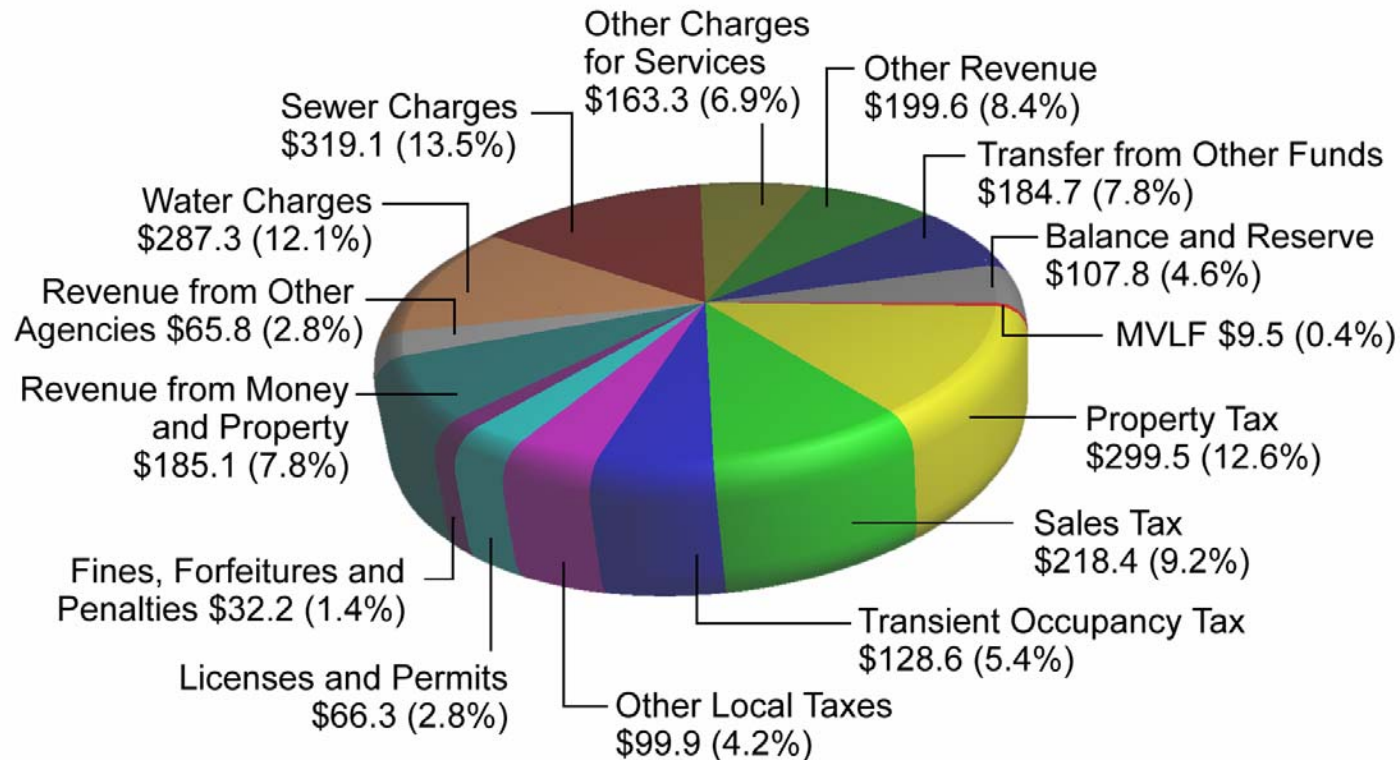
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Pension and Retiree Healthcare

	FY 2005	Proposed FY 2006
City Contribution	\$130,000,000	\$163,471,713
City-Paid Retiree Healthcare	\$6,500,000	\$16,519,154
Total Employer Contribution	\$136,500,000	\$179,990,867

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

TOTAL CITY BUDGET REVENUES BY CATEGORY
Fiscal Year 2006 Proposed Budget - \$2.37 Billion*
(in Millions)

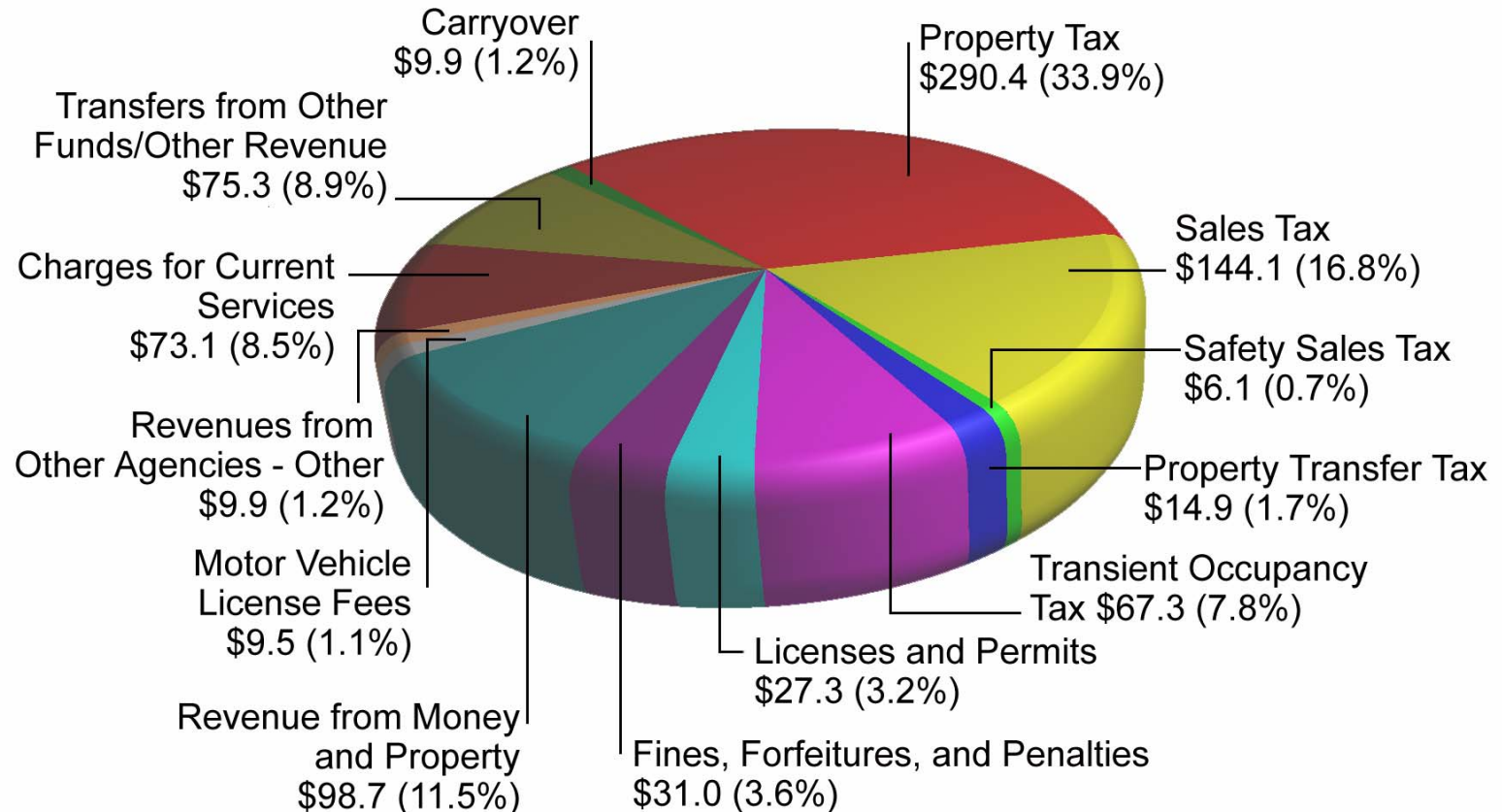


* Does not include Internal Service Funds. Totals may not sum due to rounding.

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

GENERAL FUND REVENUES

Fiscal Year 2006 Proposed Budget - \$857.7 Million*
(In Millions)



* Numbers may not total due to rounding.

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Major Revenue Growth

	Annual FY2004	Annual FY2005	Proposed FY2006
Property Tax	8.0%	8.0%	7.5%
Sales Tax	3.0%	5.0%	4.5%
Transient Occupancy Tax	5.5%	6.0%	5.0%
Franchise Fees			
SDG&E	5.0%	5.0%	7.5%
Time Warner	6.0%	5.0%	7.5%
Cox	5.0%	5.0%	7.5%

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Unresolved Issues

State booking fees	\$5.2 million
New or updated City user fees and charges	\$3.2 million
Mission Bay Ordinance	\$1.4 million
Pending Meet and Confer	\$3.0 million
Fiscal Year 2005 balance forward to FY 2006	\$2.0 million
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TOTAL	\$14.8 million

CITY OF SAN DIEGO
FISCAL YEAR 2006 PROPOSED BUDGET

Proposed New Fees

- Non-City Resident Fee for Seasonal Beach/Bay Parking
- Adult and Youth Athletic Program Fees
- Botanical Building Entrance Fee
- Revision to Existing Rates and Fees

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Expenditure Reduction Options to Replace Contingent Revenue Solutions

Additional funding reductions of Transient Occupancy Tax (TOT) funded allocations to the Special Promotional Programs Fiscal Year 2006 allocations \$3.0 million

Delay of General Fund required payment to the Environmental Services Refuse Disposal Fund for Miramar Operations Yard \$1.8 million

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Expenditure Reduction Options to Replace Contingent Revenue Solutions

Additional reduction in Citywide street sweeping services	\$1.0 million
Reduce branch library hours with a rotating schedule	\$3.6 million
Reduce Park and Recreation operations	\$2.0 million
Eliminate allocations to Small Business Enhancement Programs	\$1.0 million
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Estimated Expenditure Reduction Total	\$12.4 million

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Contingent Revenue Enhancement Options

Approval of monthly trash collection fee (estimated)	\$39.0 million
Approval of 2.5 % TOT increase (estimated)	\$27.0 million
Approval of non-conforming Property Transfer tax of \$3.60 per \$1,000 (Chamber of Commerce Proposal)	TBD
Rental Car Fee (Chamber of Commerce Proposal)	TBD
Double current Business License fee rate structure	\$5.3 million
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Estimated Revenue Enhancement Total	\$71.3 million

CITY OF SAN DIEGO
FISCAL YEAR 2006 PROPOSED BUDGET

Future Outlook

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Unfunded Needs

- Public Safety – overtime, equipment, staffing
- Basic Operating Needs
- Deferred Maintenance
- Infrastructure Needs
- Storm Water Permit Requirements
- Underground Storage Tanks
- Pension System Unfunded Liability

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Future

- Continued reliance on annual growth of existing revenues will greatly limit the City's ability to meet future budget needs.
- Continued funding of non-core services at the expense of deferred maintenance cannot continue.
- Sacrifices made now will provide future benefits to keep City strong and self reliant.

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Future

- Use of the Multi-Year Financial Forecast for planning purposes
- Solutions require the cooperation and participation of all employees, citizens and policy makers

CITY OF SAN DIEGO
FISCAL YEAR 2006 PROPOSED BUDGET

Long-Term Solutions Multi-Year Financial Forecast

Multi-Year Funding Reductions



Labor Agreements

New Revenue

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Recommendations

- Reallocation of Community Development Block Grant (CDBG) funding in Fiscal Year 2007
- Formation of Revenue Review Ad Hoc Committee
- Evaluation of City services for competitive bidding
- Formation of Special Promotional Program Funding Review Committee

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Conclusion

- Implement Multi-Year Financial Forecast
- Fund only necessary obligations and core services
- Restore San Diego's fiscal health and integrity

CITY OF SAN DIEGO FISCAL YEAR 2006 PROPOSED BUDGET

Proposed Fiscal Year 2006 Budget Hearings

May 9	Police, Fire-Rescue, Environmental Services
May 16	Library, Development Services, Engineering & Capital Projects
May 23	Park & Recreation and General Services
May 24	Special Promotional Programs
June 6	City Attorney, Metropolitan Wastewater, Water
June 7	Cost Recovery Fees
June 13	Other Departments, Programs, Maintenance Assessment Districts, Issues, Policies
June 14	Housing Commission, Centre City Development Corporation, Southeastern Economic Development Corporation, Redevelopment Agency, San Diego Data Processing
June 20	Mayor and City Council Discussion, Decisions, and Final Adoption
June 27	Mayor and City Council Discussion, Decisions, and Final Adoption

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Honorable Mayor
and City Council

May 2, 2005

